

VZCZCXYZ0006
RR RUEHWEB

DE RUEHEG #1749/01 2530843
ZNR UUUUU ZZH
R 100843Z SEP 09
FM AMEMBASSY CAIRO
TO RUEHC/SECSTATE WASHDC 3566
INFO RUCPDO/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC

UNCLAS CAIRO 001749

SIPDIS

STATE FOR NEA/ELA

E.O. 12958: N/A
TAGS: [ECON](#) [EINV](#) [EFIN](#) [ETRD](#) [EAGR](#) [ENRG](#) [PGOV](#) [EG](#)
SUBJECT: EGYPT'S ECONOMY: September 10 PRESS ROUND-UP

11. (U) The following are notable economic news stories that appeared over the past week in the Egyptian press:

Preparing for Free Trade Negotiations with MERCOSUR

12. (U) Minister of Trade and Industry Rachid Mohamed Rachid affirmed Egypt's commitment to conclude a free trade agreement with Southern Common Market (MERCOSUR) countries, including Argentina, Brazil, Paraguay and Uruguay. This development came during a meeting held by the Minister on August 31 with MERCOSUR countries' ambassadors in Cairo. Rachid stated that MERCOSUR is considered the largest industrial and economic group in Latin America, and the fourth largest economic group in the world. An agreement would pave the way for a large increase in the volume of trade between Egypt and the MERCOSUR countries (Al Ahram, 9/1/2009).

Debate over the Location of Egypt's First Nuclear Plant

13. (U) Scientists, engineers and businessmen disagree on the best location for Egypt's first nuclear power plant. On August 30, several nuclear scientists and engineers requested that President Hosni Mubarak intervene to stop the businessmen, who are involved in Egypt's tourism sector, from trying to take El Dabaa area (located in the northwest) away from the Nuclear Power Plants Authority (NPPA). Previous media accounts have stated El Dabaa is not a suitable location for a nuclear power plant and should instead be designated for business and tourism projects. On August 31, Yassen Ibrahim, the Chairman of NPPA, indicated that 70% of the site selection studies required by Australian consultant Worley Parsons have been completed. He added that El Dabaa remains the best place for the power plant. If the site location is changed, the project would be delayed for more than three years. Tourism experts and businessmen such as Ibrahim Kamel, the chairman of KATO Investment (one of Egypt's large private companies with manufacturing, aerospace, real estate, tourism, and banking interests) noted that establishing tourism projects in this North Coast area would be more profitable than building a nuclear power plant. Fouad Sultan, former Minister of Tourism, explained that the choice of El Dabaa as the location for the first nuclear power plant was made 20 years ago, and that it is no longer feasible because of the increase in tourism in the area (Al Masry Al Youm, 8/31/2009, Al Ahali, 9/2/2009, Al Alam Al Youm, 9/2/2009).

Suspending the Asset Management Program

14. (U) The Ministry of Investment (MoI) is considering suspending its asset management program - a GoE administered plan where public companies would be sold but the government would retain a two-third stake in strategic companies such as aluminum, cement, pharmaceuticals, and fertilizers. In its place, the government would

introduce a new system called "privatization derivatives". The derivatives include limited privatization, such as leasing and partially-selling assets and divesting from joint venture companies but do not involve selling off entire public companies. The MoI has already started using the privatization derivatives system in the business sector. Sources indicated the decision to suspend the sale of entire companies was not carefully studied. Media accounts also pointed out that the Minister of Investment still believes in the importance of having the asset management program, despite the need to privatize a significant number of public companies. Al Masry Al Youm, 8/31/2009).

Oil Spill in the Suez Canal

15. (U) On August 28, a Panama-flagged oil tanker broke in two as it traveled through the Red Sea Canal, spilling 60 tons of fuel. The tanker was headed to the Suez Canal for maintenance work and was only carrying the 60 tons for its own usage. By September 1, the Suez Canal Authority had towed the stricken tanker away from the southern entrance to the Suez Canal; normal shipping was not disrupted. Ahmed Fadel, Chairman of the Suez Canal Authority, said the ship did not severely pollute the area and was towed away from other ship moorings (All local newspapers, 8/28/2009, 9/2/2009).

Egyptian Natural Gas Goes to Lebanon

16. (U) On August 31, Sameh Fahmy, Minister of Petroleum, announced that Lebanon will begin receiving Egyptian natural gas through the Arab pipeline next month. He added that the gas would be exported to Lebanon via Syria in a pilot program on September 8 and will start pumping commercial quantities on September 15. The Lebanese Minister of Energy Alan Taparian indicated in May 2009 that Lebanon will receive 30 million cubic feet of natural gas via the Arab pipeline (Al Ahram, 9/2/2009).

----- ---
GASC Imposes Strict Wheat Quality Specifications

17. (U) The General Authority for Supply Commodities (GASC) announced that it imposed strict quality specifications for its wheat purchases. GASC Vice Chairman Nomani Nomani stated that GASC increased the test weight requirement for US wheat from 58 lb/bushel to 58.5 lb/bushel and its minimum protein content requirement by 0.5 percent to 9.5 percent. Nomani affirmed that these are normal procedure so that US origin specifications would match the specifications of wheat of other countries. He pointed out that Egypt requires a minimum protein content of 11.5 percent for Russian wheat and 11 percent for French wheat. GASC also spelt out a maximum cadmium and lead content of 0.2 percent and set pesticide and fumigation residues at a maximum of 0.1 percent for wheat of all origins. The new tender terms also state that bids should reflect the rules and regulations of Egyptian's quarantine services. The debate in Egypt over wheat quality became politically heated after the government rejected two Russian wheat shipments earlier this year over quality concerns (Al Masry Al Youm, 9/3/2009).

Scobey